



Proposed Changes to Requirements for Unclassifieds and Trainees

Many are concerned about the difficulty of the current process to become a licensed appraiser in Utah, including some members of the legislature. In order to address this concern, while making sure we maintain the quality of new entrants into the profession, the Utah Appraisal Association has proposed some modest changes to that process. The Division of Real Estate also has some proposed changes. These proposals will be discussed in a public input session before the Appraiser Board scheduled for 9:30 - 11:00 a.m., Wednesday, May 28, 2003 (see announcement on page 3 of this newsletter for details). Please submit your written comments about the changes by Monday, May 21, 2003 to: Dexter Bell, Director, Utah Division of Real Estate, PO Box 146711, Salt Lake City, UT 84114-6711, or by email to: dbell@utah.gov. Those who have sent in written comments by May 21 will be heard first at the public session.

Neither the Division of Real Estate nor the Appraiser Board are endorsing or opposing these UAA proposals (except as noted), and the UAA and the Board are equally neutral about the Division's discussion items. But all three entities are encouraging a complete and thorough discussion about these issues. Any and all recommendations received in writing by the Division before May 21st, or orally at the public meeting, will be considered and evaluated by the Appraiser Board and the Division before making any formal Administrative Rule changes.

Here is a summary of the UAA proposals:

1. Experience Participation. Applicants for certification must show 50 % or more participation for each report and only one trainee may get credit for the same task on an appraisal.

2. Experience Points Schedule. Award for complete, self-contained form appraisals:

1004 form	1 point
2055 forms with interior inspection	¾ point
2055 forms exterior only inspections	½ point
2075 drive-by's	no points
ERC	2 points
Summary reports	75% of above points
Restricted reports	50% of above points

3. Experience Points for Assessors: Award county assessors and staff 200 points for each of two 12-month periods of service (the current rule).

4. Experience Reporting. Trainees' points claimed for assisting in a certified report, in the addendum, certification, or affidavit must exactly match those claimed on the experience log given to the Division.

5. Transaction Value. In a sale with a loan, the transaction value shall be the higher of the loan or sales price.

6. Unclassified Individuals Experience Points Schedule. Replace the existing rules and point schedule for unclassifieds with this Task List:

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Proposed Changes

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Until unclassified individuals have qualified as an appraiser trainee, they may not inspect a property without the presence of their supervisor, but may perform appraisal tasks under the direct supervision of a certified appraiser. An unclassified person shall become an "appraiser trainee" when they have gained one year experience, performed 100 inspections, and successfully completed at least 36 hours of qualifying education. (The state currently does not identify Trainees, but they are verified by the Division when they submit their license application. No change is proposed).

Allow Trainees, under a Certified



Utah Real Estate Appraiser Review

Purpose: To provide licensees with the information and education they need to be successful in competently serving the public.

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Published by the

Utah Division of Real Estate
Department of Commerce
160 E 300 South (84111)
PO Box 146711
Salt Lake City UT 84114-6711
ph: (801)530-6747

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Div. of Real Estate home page address:
<http://www.commerce.utah.gov/dre>

Appraiser's direct supervision, to inspect single family residences without the supervisor present, as long as the supervisor makes an inspection before signing the report. The supervising appraiser must make an interior inspection if the scope of the assignment requires it.

7. State-Licensed Appraisers. Allow licensed appraiser to do complete appraisals including inspections, with supervision by a certified appraiser, if the assignment is over the transaction level. The Certified would be required to co-sign the report.

8. Supervision by Certified only. Allow only certified appraisers to supervise unclassified individuals or trainees.

9. Requiring sample reports: Licensed Appraiser Applicants. The Division will review the experience log to verify that the Trainee's work was correctly recognized, but appraisal samples will not be reviewed. Note: The Division opposes this proposal. From our experience with hearings appealing denial of experience credit, we believe every applicant should have samples reviewed.

Certified Appraisers. The Division will select sample complete appraisals from the experience log and review them. (The current process).

**A special note of thanks to Allan Payne (a Utah Certified General Appraiser) for the many hours he has spent on these UAA proposals.*

W

Division Discussion Items

[Drawn from some Association of Appraiser Regulatory Officials (AARO) recommendations.]

1. Register unclassifieds and trainees.
2. Require supervisors' to have been certified for 2 years and have no disciplinary actions in the last two years in Utah or any other state.
3. Limit trainees to two per supervisor.
4. Require supervisors to accompany inspections on the first 50 houses. Permit unclassifieds or trainees to perform inspections alone after that, unless the house is more than 50 miles from the supervisor's primary business address. In that case the supervisor must inspect before signing the report.
5. Require supervisors to take a one-day training class.
6. Current rules prohibit supervisors from splitting appraisal fees with unclassifieds or trainees. Change this to allow trainees to receive work requests but limit the payment of appraisal services to supervising appraisers only.

USPAP and Utah Law

It is important for all appraisers to stay current with USPAP.

The current edition of USPAP (along with Advisory Opinions and Statements) is always available from the Appraisal Foundation. Their phone number is: (202) 347-7722, and their address is:

The Appraisal Foundation
1029 Vermont Ave N.W. Ste 900
Washington, DC 20005-3517



or you may wish to go to their website at:
www.appraisalfoundation.org.

The Division of Real Estate prints copies which are available in our offices at 160 E 300 South, Salt Lake City UT 84111. The cost is \$6.50 if you pick them up, or \$8.50 mailed. Copies of USPAP can only be sold to Licensed and/or Certified Utah Appraisers.

It is also important to stay current with Utah Statute and Administrative Rules. You may link to them through our website at: www.commerce.utah.gov/dre. That will take you to the home page of the Division of Real Estate. When you get there select "About Us," and then "Administrative Rules." Or you may purchase copies from the Division.

You Must Notify the Division -- in Writing --



Within 10 Days of:

- a change of personal address
- a change of business address
- a change of name
- a change of personal telephone number
- a change of business telephone number
- a conviction of a criminal offense
- a filing of bankruptcy

The Appraiser Licensing and Certification Board and the Utah Division of Real Estate

invite you to attend a

Public Input Session

May 28, 2003

9:30 - 11:00 a.m.

Room 426
Heber M. Wells Building
160 E 300 South
Salt Lake City

TO DISCUSS THE POLICIES FOR:

Unclassified Individuals

Trainees

Supervision of these individuals

The experience points schedule

And other aspects of the initial
training of appraiser hopefuls

M

If you have strong feelings or
suggestions regarding any of these
subjects, please attend.

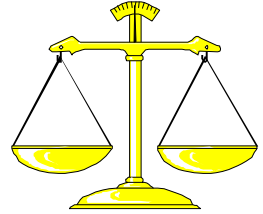
Appraiser Disciplinary Sanctions

ABEGGLEN, JIM, State-Certified Residential Appraiser, Vernal. Agreed to pay a \$1,000 fine based on violating USPAP by failing to have the requisite skills necessary to do a subdivision appraisal and by failing to summarize the extent of the process of collecting, confirming and reporting data. In mitigation, the appraisal in question was done in 1996 and, since the time of the appraisal, Mr. Abegglen has completed additional education and has upgraded his status from Registered Appraiser to State-Certified Residential Appraiser. #AP98-03-06.

CARTER, JOHN R., State-Licensed Appraiser, West Jordan. Agreed to pay a \$500 fine and complete a USPAP course based on violating USPAP by failing to use comparable sales that were close in proximity to the subject and instead using similar sized homes in neighborhoods that were superior and farther away from the subject. In mitigation, Mr. Carter has taken additional course work since the time of the appraisal. #AP20-10-02

DRAKE, TIMOTHY W., State-Certified Residential Appraiser, Spring City, Utah. Because of violating USPAP in three reports, Mr. Drake agreed to pay a \$2,500 fine, complete a USPAP course, and complete a cost approach course. The violations in one appraisal were failing to identify the intended use of the appraisal and showing "N/A" as the sales price, and failing to maintain a complete workfile containing supporting data for his effective age adjustment indicating that a 109 year old property had an effective age of 15 years. The violations in the second appraisal involved using a square footage figure of 1,692 square feet, when Division investigators measured the home at 1,384 square feet. In the third appraisal, Mr. Drake failed to correctly employ those recognized methods and techniques necessary to produce a credible appraisal. In a 1998 appraisal of a property, Mr. Drake reported the gross living area as higher and the site value as higher than he did in a 1999 appraisal of the same property. He maintains that the different square footage figures were due to a difference in use of the property at the times of the two different appraisals. #AP01-09-03, #AP02-05-03, and #AP02-05-04.

HARWARD, KYLE B., State-Certified Residential Appraiser, Centerville. Agreed to pay a \$1,500 fine and complete a USPAP



course for a violation of USPAP Standards Rule 1-4 by relying on a previous appraisal of the subject property by another appraiser without adequately collecting, verifying, and analyzing his own market data. The complaint alleged that Mr. Harward's appraisal was overvalued and that the comparables were not similar to the subject. Mr. Harward agrees that the subject property was overbuilt for the area and that his lot value was high, but maintains that the cost per square foot figure he used was not high according to local builders and that the comparables he selected were appropriate. #AP99-03-14.

HEYNE, JACQUELINE, State-Certified Residential Appraiser, St. George. Agreed to pay a \$2,000 fine and complete a USPAP course because of violating USPAP by failing to maintain a complete workfile containing information and documentation necessary to support her opinions and conclusions, by committing errors that significantly affected the appraisal, and by failing to use available comparables that were more similar to the subject in style, age, and neighborhood. Ms. Heyne maintains that in mitigation the report was not intended for lending purposes and the mistakes were due to carelessness and not out of any intent to inflate value, and that she felt that the school district of the subject property was better than that of the comparables and that for this reason no adjustments were made for the neighborhood. #AP02-04-10

HOYER, FRED, State-Certified Residential Appraiser, Riverton. Agreed to pay a \$500 fine because of

**"Sometimes you're the
windshield . . . sometimes
you're the bug."
*Author unknown***

Disciplinary Sanctions

continued

violating USPAP by failing to analyze the listing of the subject property in his report. His report valued the property at \$135,000.00. At the time of the appraisal, the property was listed for sale at \$124,900.00. Mr. Hoyer maintains that this was an oversight on his part in not researching the listing history of the subject more completely, and that the loan officer represented to him that the sales price was \$143,300 included seller concessions such as the down payment contribution. #AP20-09-13.

PAINTER, JOHN J., State-Certified Residential Appraiser, Sandy. Agreed to pay a \$1,500 fine and complete a USPAP course for violation of USPAP Standard 1-1. In one appraisal, Mr. Painter signed as the certified appraiser for a registered appraiser whose report contained multiple errors that rendered the report misleading. In another appraisal, Mr. Painter's report contained substantial errors about the location of the comparables. Mr. Painter maintains that in mitigation he tried to return to work sooner than he should have after surgery while he was still taking medication under a doctor's orders, and that the appraisal is not typical of his work. #AP20-01-17 and #AP01-04-05.

THOMAS, STEVEN E., State-Certified Residential Appraiser, Santaquin. Agreed to pay a \$2,000 fine, to complete a USPAP course, and that he will not supervise or sign appraisals for any other appraiser, appraiser trainee, or unclassified appraiser until after June 30, 2003. Thomas violated USPAP by using a cost figure supplied by the contractor and failing to perform an independent cost analysis, by overlooking a provision in the Real Estate Purchase Contract that indicated that a

basement finish was included in the purchase price, causing the appraisal value to be inflated by a corresponding amount, and by inadequately supervising a Registered Appraiser. AP20-04-05 and #AP01-04-21.

WILSON, ROBERT, State-Certified Residential Appraiser, Provo. Agreed to pay a \$3,500 fine and not to supervise or sign appraisals for any other appraiser, appraiser trainee, or unclassified person for two years because of USPAP violations consisting of failure to adequately supervise appraisers for whom he signed. In one case, Mr. Wilson failed to control his appraisal and data and allowed other appraisers in the office to use his work as if it was their own. In the second and third cases, Mr. Wilson signed for then-registered appraisers who appraised properties as if the appraisals were for refinances when the transactions were actually purchases. In one case, the complaint alleged that the appraisal was used in a scheme that resulted in a first payment default. Mr. Wilson denies any knowledge of the underlying real estate transaction or the scheme. In the fourth case, the principle of superadequacy was not applied in the development of the appraisal report. #AP99-04-10, AP01-05-05, #AP02-08-10, and #AP02-10-17.

ZIEMBA, RON A., State-Certified Residential Appraiser, Lehi, Utah. Because of violating USPAP in two reports, Mr. Ziemba agreed to pay a \$2,000 fine and to complete a USPAP course, and agreed that for two years he will not supervise or sign for other appraisers or supervise unclassified persons earning points for licensure or certification. The violation in one appraisal was failing to maintain sufficient data in his workfile to support the assumptions and conclusions in his appraisal report. The complaint alleged that the comparables were inappropriate. The violations in the other appraisal were using an improper method when he gave market value to the subject property for future subdivision of additional acreage that was not part of the property appraised and providing incorrect information in the report. #AP20-08-09, and #AP01-09-02.

APPRAISERS

We invite you to submit articles for consideration for publication in this newsletter. Articles should address issues of interest to the appraisal industry.

We will review the information submitted and, if appropriate, publish the article in a future edition of the *Appraiser Review*. All articles are subject to editing for length and content. Submitted articles cannot be returned. Submit articles to:

Mark Fagergren
Utah Division of Real Estate
PO Box 146711
Salt Lake City UT 84114-6711

Flip! Not Just Another 4-Letter Word

by Lynn W. Wilburn

President, Wilburn Investigations, Inc., Houston, Texas

In the last two or three years, especially within the last year, illegal flip real estate transactions (FLIPS) have virtually exploded in numbers around the country. Much of the credit for this proliferation in fraudulent transactions can be attributed to “infomercials” on how to “buy real estate with no money.” If you are an insomniac, tune in to any one of these usually late night presentations and you will be treated to some very “creative methods” to obtain real property. Take the “creative methods” described, sprinkle them liberally with criminal intent, add a dash of falsified documents and, “presto,” you have a recipe for mortgage fraud or FLIPS.

Surprisingly, the primary culprit for the majority of these frauds currently under investigation is the mortgage broker. Of course, he has some help from others like the real estate broker, appraiser, title agent, “straw buyers,” mortgage lenders’ employees, etc. Since most of these loans are made to borrowers with minimal or poor credit, the mortgage loans (known as “B, C or D paper”) generate substantial points and fees to the mortgage broker. That, coupled with the excess funds derived by the crooks from each transaction, seems to be the driving force behind the FLIPS.

Let’s discuss the “ABC’s” of FLIP transactions. Certainly, a truly honest FLIP wherein A sells to B who sells to C is a real estate investor’s dream.

- A is the current owner of the property and wants to sell.
- B is buying from A intending to resell immediately to C.
- C is purchasing from B and usually obtains a mortgage.
- The two transactions are usually very close, if not simultaneous.

In the honest FLIP, the investor (B) has a seller (A) who is willing to sell below market value AND has found a buyer (C) willing to pay market value. The values are legitimate and the investor’s dream, “buy low, sell high,” is realized.

The crook’s bad FLIP also involves the sale of real property from A to B to C. The principal of “buy low, sell high” is still employed but, beyond that, there are few similarities. A is usually a legitimate seller selling at or near fair market value. B is usually the crook or his designee obtaining the property from A with the intent to defraud the mortgage lender. C is usually a “straw buyer” controlled by the crook and usually not qualified for the mortgage loan obtained. The two sales, A to

B and B to C, are usually simultaneous and conducted by the same title agent.

Here are some of the elements of a bad FLIP. They are, more or less, in the order in which they occur.

The subject property is often “distressed.” The current owner is delinquent or having financial difficulty and desperately needs to sell. Sometimes the property has already been used in a similar scam and is near foreclosure. In extreme cases the same property has been used simultaneously to scam more than one lender at a time.

Of course, an appraisal to match the intended scam is necessary. Here, the crooks become very creative. They select the amount they wish to borrow and then ‘back into’ the appraisal. In the cases under investigation, the appraisals have increased the true property values by 50% to 150%. The comparable properties or “comps” utilized are very creative. In most frauds the same appraiser is used for all FLIPS.

Usually, the borrower (C in the second transaction) is a “straw buyer” who could not possibly qualify for the loan. Therefore, the loan application says whatever is necessary to “qualify” the borrower. Bogus verifications of deposit, verifications of employment, etc., are common. In some cases, the same telephone numbers are used over and over again for various “straw buyers” and, occasionally, the same phone number has been put on the same application for both verification of deposit and employment. The crooks have someone answering that number to give the answers necessary to support the scam.

Along with the falsified loan application, the lender is then shown a contract showing the sale from B to C with no mention of the sale from A to B.

From the title agent to the lender comes a title insurance commitment with the various requirements for policy issue and showing title currently invested in B. In fact, at the time the commitment is issued title is vested in A since the sale from A to B has yet to take place.

To close the transaction, the title agent prepares a HUD-1 or Settlement Statement indicating, among other things, that the borrower (C) brought funds necessary for the down payment, in fact the borrower brought no money to the closing since the “down payment” came from the proceeds paid to B in the

“sale” from B to C. The net effect is that the only funds for either transaction are the loan proceeds from the mortgage lender to C. In some cases, to make the closing appear legitimate to the lender, the title agent, after receiving the funding check, purchased Cashier’s Checks and deposited them back into the escrow account so they would appear to be the borrower’s down payment.



The title agent then sends the lender’s closing package to the lender purportedly representing what happened in the transaction. The falsified documents, of course, are not representative of the transaction.

So far then, we have:

- Mortgage brokers and/or real estate brokers or agents falsifying documents, finding and providing “straw buyers,” providing bogus “VODs” and “VOEs,” making numerous misrepresentations to mortgage lenders as to the loans being originated, etc.
- Appraisers providing multiple bogus appraisals with extremely inflated values.
- “Straw buyers” (and sellers) falsifying loan applications and other documents.
- Title agents providing falsified or altered commitments, failing to following the lender’s closing instructions, preparing HUD-1 or Settlement Statements that do not represent what actually happened at closing and failing to disclose unauthorized disbursements and bogus receipts of funds.

While the majority of the title agents or their employees involved appear to be criminally complicit in these frauds, there are some that may be victims themselves, having been taken in by the crooks. Unfortunately, they all have one major problem in their failure to follow the lender’s closing instructions. In almost all the lender’s closing instructions found in the files connected with the frauds being investigated, the following wording or something similar is present:

“If you know of any changes in the ownership of this property in the last six months DO NOT CLOSE THIS TRANSACTION.”

A most chilling revelation has been the common thread in interviews conducted with several title agents and their employees. They have all commented that they “do not really have time to read the closing instructions and, anyway, they all say the same thing.” When these same individuals were asked why they continued to close transactions that appeared questionable or clearly fraudulent, the usual answer was that

the crook was their “best customer.”

To recap, these are some of the more important elements of illegal FLIP transactions:

- Extremely inflated values and/or appraisals.
- Altered title insurance commitments.
- “Straw” buyers and/or sellers.
- Falsified HUD Settlement Statements.
- Unauthorized disbursements.
- Altered loan applications.
- Fraudulent “VOEs” and “VODs,” etc.
- Multiple violations of the lender’s closing instructions.
- The “best customer” deals.
- Same individuals involved as buyers and/or sellers in multiple transactions.
- Consecutively numbered files within the same property.
- Transfer of funds between files within the same escrow account.
- Check payable to “sellers” (B) deposited back into the escrow account.

To no one’s surprise, multiple title insurance underwriters are receiving claims as a result of these frauds. Many are actually insured closing letter claims for failure to follow the lender’s closing instructions.

Investigations of FLIP frauds are currently ongoing in California, Colorado, Florida, Georgia, Illinois, Tennessee, Texas and Wisconsin. Losses to mortgage companies, title insurers, government agencies, etc., are estimated to exceed \$3,000,000.

To combat these losses, we have instituted training seminars for the personnel of mortgage lenders, title insurers and agents, investigators, auditors and other connected with the real estate industry to detect and prevent this type of fraud. We have done assessments of current business and underwriting practices to ferret out these frauds.

Criminal investigations are underway in all the above cases at the local and/or federal level. We are providing the evidence necessary for recovery where possible, as well as the criminal prosecution.

All available information indicates a continuing escalation of FLIP frauds. It is vital that a collective industry-wide effort be continued to educate all those that may be susceptible to these frauds as they damage not just the individuals and companies, but the industry as a whole.

This article was reprinted with permission from Title News (July-August 2000 issue), the bi-monthly magazine of the American Land Title Association.

Reporting Significant Professional Assistance

Recently an individual was preparing to submit an application to become a Licensed Appraiser. The experience log included all reports that involved his professional assistance as an Unclassified and Trainee appraiser. Unfortunately, none of the appraisals included any reference to his contribution to the report. Since none of the reports bore his signature, and no disclosure of professional assistance was included, there was no way to identify that this individual had made any contribution to the appraisals. Unfortunately, this would-be appraiser had to start over acquiring acceptable experience to qualify for licensure.

Standards Rule 2-3 requires that each written real property appraisal report must contain a signed certification which includes "I certify to the best of my knowledge and belief" that "no one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property appraisal assistance must be stated.)" The names of individuals providing significant real property appraisal assistance, who do not sign a certification, must be stated in the certification. Although it is not required that the description of their assistance be contained in the certification, disclosure of the extent of their assistance is required somewhere in the body of the report; in accordance with

SR2-2 (a), (b) or (c) (vii).

The Ethics Rule of USPAP states "An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report." Failing to disclose trainee assistance could clearly constitute communicating a misleading report.

Advisory Opinion 5 deals with "Assistance in the Preparation of an Appraisal." In the concluding comments of AO-5 it states: "The extent of assistance that can be provided in the appraisal process is directly related to the competence of the assistant, and the principal appraiser is responsible for continually evaluating the competence of his or her assistants."

If a Trainee appraiser contributes significant professional assistance in an assignment, and is not given credit in accordance with Standards Rule 2-2 and 2-3, he/she will not be awarded experience credit for those reports. In addition, if a trainee appraiser does not offer significant professional assistance in an assignment, yet he and his supervisor claim trainee points on an experience log, both could receive discipline.

When
do I owe
USPAP
?



At the Division of Real Estate we are getting many calls asking if and when you owe USPAP, and what the requirements are. Hopefully this article will help.

USPAP Requirements

If you renew in 2003 (this year), and if this year is your third renewal requirement, you have the option of taking either the new national 7 hour USPAP update class, the national 15 hour class, or any 15 hour USPAP class, to include passing the exam. (The new national 7 hour class has no exam as yet, though it probably will have

one in the future.) **This is the only year this option is available.**

If 2003 is not your third renewal year, all you need are 28 hours of any acceptable appraiser continuing education. On the back page of this newsletter (and every edition of *Appraiser Review*) appears a continuing education report form. Towards the bottom of that page is a list of subjects approved for CE by the AQB.

Renewals in 2004 and thereafter, must have the new national 7 hour USPAP update class with every renewal.

Need Assistance, try a Trainee

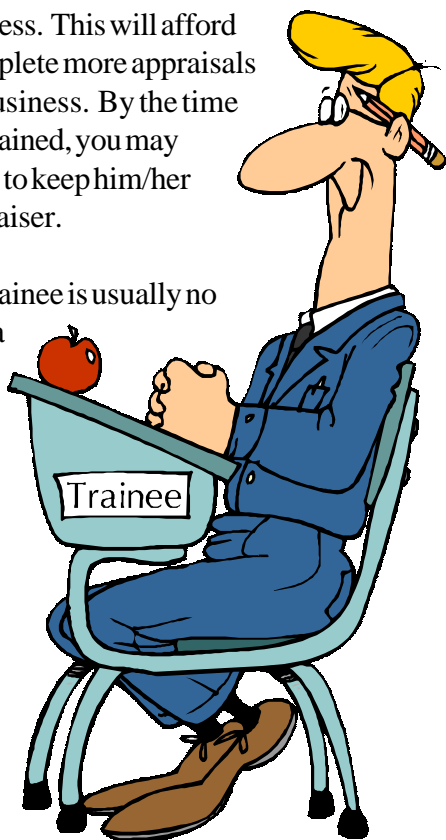
by Ross Acheson

With the low interest rates we are experiencing in the market today, most real estate appraisers are overwhelmed with the number of appraisal orders coming in. They are most likely working 10-12 hours a day trying to keep up with the demand for their services. Their desks are getting over loaded with paper work and their phones are ringing off the hook. Although this is good for the appraisal business, it can also be overwhelming in this kind of market.

At some point you may consider hiring an assistant. But, instead of hiring a secretary, try hiring an appraiser trainee. Almost any appraiser trainee will tell you the hardest part of becoming an appraiser is not the education or passing the required testing, it's finding someone to train them.

When you hire a trainee, they will normally learn faster and do more because of their desire to understand the industry and the business. This will afford you more time to complete more appraisals and to expand your business. By the time your Trainee is fully trained, you may have enough business to keep him/her as your first staff appraiser.

The cost of hiring a Trainee is usually no more expensive than a standard secretary. You can have them assist you in answering the phone, marketing your business, looking up data for your files, typing your appraisals and doing other various office tasks. The trainee will gain the experience he needs and you will



LICENSING STATISTICS

	RA	LA	CR	CG	TOTAL
2001					
January	751	19	492	330	1592
February	692	22	498	340	1552
March	649	26	499	340	1514
April	593	38	517	345	1493
May	493	46	541	351	1431
June	0	56	571	355	982
July		64	580	355	999
August		72	561	337	970
September		77	562	337	976
October		80	561	335	976
November		84	563	340	987
December		82	565	341	988
2002					
January		83	566	340	989
February		86	569	340	995
March		86	569	340	995
April		86	574	340	1000
May		87	579	336	1002
June		87	579	335	1001
July		86	582	337	1005
August		86	580	336	1002
September		85	580	340	1005
October		84	579	336	999
November		85	582	336	1003
December		86	584	336	1006
2003					
January		85	580	336	1001
February		85	584	340	1009
March		86	584	334	1004
April		83	585	334	1002

have some help with the work overload. The time you save by hiring a trainee will more than pay for your new assistant.

So next time you consider hiring an assistant, hire someone who is ready to learn about the appraisal business and has more knowledge about the industry than the average office assistant – hire an appraiser trainee. The trainee will get their necessary training and you will have good help to relieve the work load during these busy times.

This article was originally published in the Winter 2003 issue of the Communicator, a national journal published by the Foundation of Real Estate Appraisers. FREAA can be reached at (800)882-4410. Printed with permission.

The Value of an Honest Appraisal

by Randy Beigh

Last week I received a field review. No problem, as I have done thousands. I spent over five years working for a company where my job was reviewing appraisals from around the country. I learned long ago to separate myself and my personal feelings from appraisals, until last week.

...

The appraisal was on a ranch style home that was larger than typical, in a 70s suburban neighborhood built on a hillside. The subject was one of the older homes at the bottom of the hill with no view. It had been appraised for \$280,000. When I glanced at the report I noticed there were nine comparables. That made me curious. Why, in a typical area, would one have to provide nine comparables?

I did my usual first steps. I pulled up Metroscan and MLS on the subject and on all sales. Up popped a current listing on the subject for \$225,000. It had been on the market for four months. It was listed by one of the more reputable agents in town. When I called her, she began by telling me a very sad story.

The owner refinanced her home and with the money built five bedrooms, a kitchen and dining room in the basement. There were already three bedrooms, a kitchen and a dining room on the main floor. The agent said the intent of this woman was to start an adult care center. She promptly went broke.

Then things really went bad. She had two hip replacements, came down with something called Cushing's disease . . . and was diagnosed with cancer. The home is now in pre-foreclosure and there is no money. The agent said she feels the home will sell for \$205,000 to \$210,000. But much more money is owed on it than that. Because of a wide variety of quirks with the home, I arrived at a value of \$200,000.

I have no doubt the homeowner wanted \$280,000 (no proof, just guessing). I'm certain the loan officer did too.

The appraiser had the ability and the obligation to put a stop to this but failed. Instead, he set out to prove, with nine comparables, that the value was there. Now this homeowner, who is going to die, will die broke and without a home to die in. It is not the appraiser's fault that she is going to die, but it is his fault that she will die without her home.

This review made me sick. Appraisers could and should provide a valuable service to their communities and their country. Instead, many of us have sunk to the lowest levels of society and can't be trusted. I lost my objectivity over this. I tried looking for the appraiser's phone number, but he is not in the book anymore. The local MLS office said he has dropped off its list. [My] state indicated his license is up this month and he hasn't submitted for renewal. Maybe he is gone.

I just thought we all should see an example of the damage one dishonest appraisal can do.

*Printed with permission from Working RE Magazine, October 2002.
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Note: This case did not happen in Utah, and the author is not a Utah appraiser. The author's comments do not necessarily reflect the Division's or Appraiser Board's opinion.

Inflated Appraisals Harm Consumers

Recently the Division has been hearing from some consumers who are upset that the appraisal on their home was inflated when they purchased it in recent years, and now they are in financial difficulty. The complaint is that they were enticed into a loan by a mortgage company that they wouldn't have undertaken if they had known that the appraisal was inflated. This is especially burdensome when strapped consumers try to refinance to consolidate loans but cannot because of the inflated original appraisal. One more of numerous reasons to comply with USPAP and appraise subjects accurately, honestly and fairly.

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Real Estate Intelligence Report

Appraisal groups combine lobbying efforts

(WASHINGTON) – The Appraisal Institute and American Society of Appraisers have reached an agreement that will make the Appraisal Institute the industry's primary voice on Capitol Hill.

Under the agreement, the Appraisal Institute will monitor real property legislative and regulatory issues of interest to both organizations, contact key legislators and government agency officials regarding the issues, and report to the leadership of both organizations regarding the initiatives.

Appraisal Institute President-elect Alan Hummel said the agreement to give appraisers a single voice should give the industry more influence in Congress.

December 23, 2002